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SURPLUS FARM PRODUCTS

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U. S. Department of Agriculture

**Where shall we
find a market?**



This pamphlet has been especially prepared for the use of discussion groups. Its purpose is to present, in brief form, some of the main facts about the problem of surplus farm products and to bring together the various ways that have been suggested for getting the products to the needy consumer. Incidental to this has been the desire to illustrate good discussion procedure. No statement contained herein should be taken as an official expression by the Department of Agriculture.

The following questions are discussed:

- Do we have a surplus problem?
- What has caused this surplus?
- Should Government try to help?
- What about the export problem?
- Should we try the two-price system?
- The Direct Purchase and Distribution program.
- How about the school-lunch program?
- Does the stamp plan offer a promising solution?
- The Cotton Mattress Project and the Cotton Stamp Plan.
- How do these plans fit together in attacking the over-all problem?

Copies of this pamphlet may be obtained free from your State Discussion-group Leader, Extension Service, or State College of Agriculture. Copies may also be obtained free upon a request addressed to the Bureau of Agricultural Economics, United States Department of Agriculture, Washington, D. C. (The earlier pamphlets in this series were issued by the Agricultural Adjustment Administration.) Other pamphlets for discussion group purposes similarly obtainable are:

SUBJECT-MATTER PAMPHLETS

(Pamphlets DS-1 to DS-8 are out of print)

- DS-9 Taxes: Who Pays, What For?
- DS-10 Rural Communities: What Do They Need Most?
- DS-11 Soil Conservation: Who Gains By It?
- DS-12 Co-ops: How Far Can They Go?
- DS-13 Farm Finance: What Is a Sound System?
- DS-15 Reciprocal Trade Agreements: Hurting or Helping the Country?
- DS-16 Farm Security: How Can Tenants Find It?
- DS-17 The National Agricultural Program. What About Cotton?
- DS-18 The National Agricultural Program. What About Wheat?
- DS-19 Getting At the Facts About Agriculture—Program Building.

MATERIALS ON THE DISCUSSION METHOD

- Leaflets:
 - DN-1 Suggestions for Discussion Group Members.
 - DN-2 Suggestions for Group Discussion Leaders.
- Pamphlets:
 - D-3 What is the Discussion Leader's Job?

UNITED STATES DEPARTMENT OF AGRICULTURE

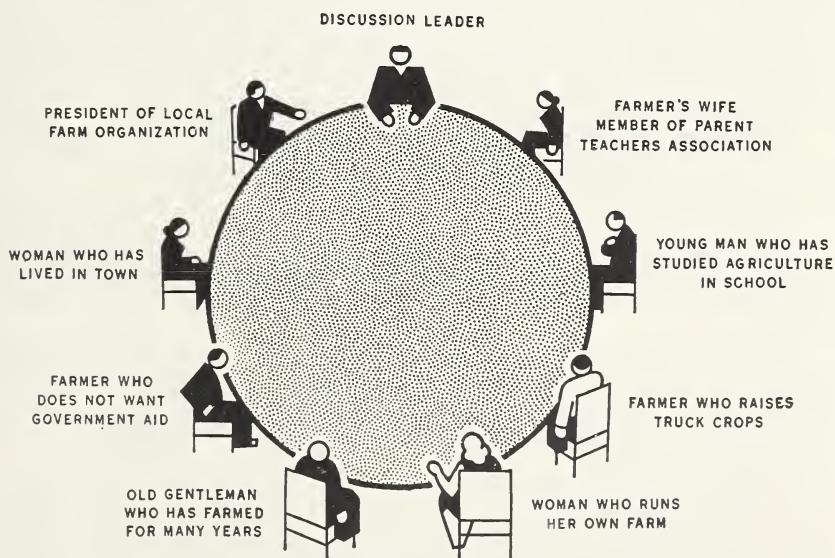
Bureau of Agricultural Economics

In cooperation with the Extension Service

(Illustrations by Farm Security Administration, Surplus Marketing Administration, and Agricultural Adjustment Administration.)

SURPLUS FARM PRODUCTS— WHERE SHALL WE FIND A MARKET?

A discussion group in a rural community is beginning one of its regularly scheduled meetings. Although for convenience we choose to look in on a group of only 9 people, any number from 4 to 30 could hold just as profitable a discussion. The men and women have pulled their chairs out of the accustomed schoolroom arrangement and seated themselves in a circle so that each one can see everyone else, and the leader is one of the group. As we walk in and quietly find chairs outside the circle, the farmer acting as discussion leader for the evening has just announced that the subject for discussion is "Surplus Farm Products—Where Shall We Find a Market?" This subject was agreed upon at an earlier date, and the members of the group have been watching their newspapers for news on it. A few of them have also done other reading.



DISCUSSION GETS UNDER WAY

Discussion leader: "Have you ever hauled a load of fruit or vegetables or poultry to town and found the market so glutted that you could hardly find a buyer? Have you ever asked the elevator operator or warehouseman why the price you received for your corn or wheat or cotton was so low and been told that there was almost enough of last year's crop to supply this year's demands? Have you ever returned home from such a trip, tired, worried, and desperate, and after figuring the cost of your land, machinery, hired labor, and your own time, faced figures which showed that the crop had been a losing proposition? How serious to you as a farmer is this problem of surplus products piling up on the market?"

Should Surplus Removal Be an Addition to Acreage Adjustment?

"Since 1933 the United States Department of Agriculture has been trying to correct the situation by preventing the surplus. Recently we have been hearing more and more about having Government aid in getting these price-depressing surpluses off the market and into the hands of the underprivileged. This approach has numerous aspects. Some are different parts of one program; some are different ways of doing the same thing. Much of this work is still experimental, and we people who are being served must decide what kind of program—or combination of programs—most nearly fills the bill."

WHAT METHODS DO YOU THINK OF FOR ATTACKING THE SURPLUS?

"However, before we begin evaluating what has been done, let's see how many methods of attacking the surplus problem we can think of. What ways immediately occur to you?"

After a moment of silence in which each person waits for some one else to speak, a farmer's wife who has lived in town breaks the ice: "The Food Stamp Plan and the Cotton Stamp Plan."

Farmer who raises truck crops: "The Direct Purchase and Distribution Program where surpluses are bought by the Government and given to needy persons, including hot school lunches for underprivileged school children."

President of local farm organization: "Loans to farmers to store their crops and wait for better prices; and along with cotton loans and the Cotton Stamp Plan, we also have the Cotton Mattress Program."

"As the domestic prices offered for cotton and wheat are higher than the prices on the world market," a young man who has studied agriculture in school adds, "the Government has been making up for that difference so we could still retain part of our foreign market."

"I also hear," offers a woman who runs her own farm, "that in several of the large cities milk is being sold at reduced prices or given free to low-income and unemployed groups."

"There is also the possibility," breaks in the young man again, "of diverting more surplus foods into industrial channels; for example, making starch out of potatoes." Discussion leader: "Well, that should be enough methods for us to start with. How does this surplus problem affect you and me as farm men and women? After

WHAT WOULD HAPPEN TO THE SUPPLY OF THESE FOODS IF EVERY PERSON IN THE UNITED STATES HAD AN ADEQUATE DIET?

MILK



Each symbol represents 25 quarts

TOMATOES
AND CITRUS
FRUIT



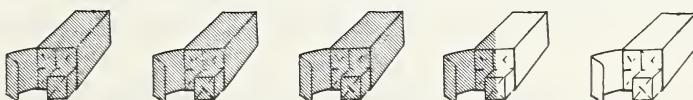
Each symbol represents 10 pounds

LEAFY, GREEN,
YELLOW
VEGETABLES



Each symbol represents 20 pounds

BUTTER



Each symbol represents 5 pounds

Shaded portion represents the average yearly consumption per person.

Unshaded portion represents the yearly increase per person if everyone had an adequate diet.

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we have gotten at the roots of the problem, we can discuss the best ways to attack it."

DO WE HAVE A SURPLUS PROBLEM?

A farmer who is opposed to Government aid lets the group know how he feels: "Those are enough methods to ruin the farmers and the whole country with them. I don't think we have a surplus problem, because I don't think there is any surplus of farm commodities."

Crop Carry-Over.

"As far as I see it, we do," his neighbor, the woman who runs her own farm, replies. "From some figures I jotted down, I notice that in the United States we carried over into the 1940-41 crop season, 280 million bushels of wheat, 700 million bushels of corn, and 10½ million bales of cotton. Even at that we have produced at times more than we are producing now, and can do it again. But wheat, cotton, and corn are only examples of the tremendous quantities of goods that are held, or sold at a loss each year. In fact in a few instances markets have been so poor that crops have been allowed to rot on the ground."

WHAT HAS CAUSED THIS SURPLUS?

An old gentleman with many years of farming experience speaks up: "Well, the thing I would like to know is what in thunderation has happened. I never used to have to worry about a market for my products. The farmer's job is producing, not marketing."

Have Tariffs Helped?

The farmer's wife who has lived in town replies: "Well, in the first place, because of our tariff and the increasing effort of other countries to either produce or find substitutes for the goods they formerly bought from us, we lost a great percentage of our foreign markets. And of course this second European war has made this situation much worse; there's where a lot of the cause for our increasing surplus lies."

Is City Unemployment One of Our Big Farm Problems?

The farmer who raises truck crops shows that he has been doing considerable reading: "That is not so vastly

important. Since 1900 our exports, except during the war, have averaged less than 10 percent of the exportable goods produced in this country. The thing that is really important is that several million are still unemployed, and an even greater number are underfed. If those people could get a chance to eat all they need and wear decent clothes, you wouldn't worry about your surplus. It's in feeding and clothing these people that I think the farmer can find the greatest market for his crops."

"That's exactly why I said we had no surplus!" the objector to Government aid interrupts.

The truck farmer continues: "Between the loss of these markets and prices dropping to the bottom, the farmer, in the past years, has faced a situation where the price he received didn't pay for rent, labor, and fertilizer. When prices go down, we farmers generally try to produce even more than we did before in order to still make a living at the lower price. But if you can't get enough to pay for the cash outlay, then the more you produce, the more money you lose. I don't say the farmer is in that fix now, but he was mighty close to it back in 1933, and some of us were in it."

Should We Cut Production Still Further?

"Yes," adds the young man who has studied agriculture in high school, "and any time the price we can get doesn't pay the cost of production—including a decent return for our time—then, as far as the farmer is concerned, we have a surplus."

Discussion leader: "Before we proceed further, may I interrupt to ask a question. Are we all in agreement with the gentleman who said that we have no surplus above human needs—only a surplus above the quantity that can be marketed at a price which will pay for production?" They all nod assent.

Discussion leader, laughing: "Well, at least we are in agreement on one point."

"Would you say, then," the lady who has lived in town asks, turning to the young man, "that if production had been slashed, prices would have been forced up and we would have gotten the price of production for the little crop we did raise?"

"Yes."

"Well, your reasoning is sound, but I seriously wonder how far we want to go in that direction."

What would it mean to your farm income if all city people could buy an adequate diet?



Surplus Keeps Prices Down.

"And there's another very important point to be remembered." The president of the local farm organization again enters the discussion. "When there's a big surplus of any commodity—whether held by government or private individuals—the possibility of that surplus being thrown on the market at any time is almost sure to prevent prices from rising."

"Aren't we overlooking a mighty important point here—how about the consumer in this picture?" questions the woman who has lived in town, thinking of her years in the city.

What About the City Consumer?

"Yes, shouldn't we remember," replies a member of the Parent Teachers Association who, to her own surprise, becomes so interested that she enters the discussion for the first time, "that the average amount spent for food by the great underprivileged mass of our population is 5 to 7 cents a meal per person? What is the average cost of the meals of those of us around this table? Figure that out and compare the two. The same is true of clothes and homes.

With millions of people hungry and cold—babies dying and children suffering disease from lack of milk and other necessities—how can you say that we have a surplus?"

"You are right," says the president of the farm organization. "Our problem is not primarily one of overproduction; it is one of under-distribution. The farmer must be concerned with the problems involved in getting the things he produces to the people who can consume them. And the sooner he takes an active hand in the problem, the better off he will be. If he thinks his welfare isn't tied up with the welfare problems of the cities, he's blind to facts. The inability of those people to buy his products hits his pocketbook—and hits it hard."

Would Farmers Like to Produce More?

The old gentleman speaks again: "Yes, and furthermore, the farmers of this country, living close to the soil, feel the life-producing quality of that soil. They know it's a far cry from the American Dream of a land of plenty when, although they want to produce—can produce—in fact, have already produced a surplus in many commodities, millions are still ill-clothed and ill-fed."

"Let's see where we have gone," says the discussion leader in summarizing. "We seem agreed that the farmer can produce enough food and fiber to take care of most of the needs of the country. However, when we produce in abundance, the excess goods thrown on the market force the price so low that we can't get enough to pay for our work. For a farmer to live decently there must be a fair relation between the prices he gets and the prices he pays. Now the question seems to be: How can the farm produce an abundance, its products get to those who need them, and the farmer still get a fair price for the things he produces?"

Should Government Try to Help?

The man who opposes governmental aid almost interrupts him. "You have stated the problem well, but I am thoroughly convinced that the suggested solutions involving Government intervention have been all on the wrong track. Eight years of failure should have proven that. The only way to solve the problem is for Government to pull out and give the normal channels of business a chance. Once that is done, these problems will all be

worked out by free enterprise working under time-tested principles of competition."

The well-read truck farmer replies: "Sure, competition would solve the problem if it was working. But that's the big 'if'. The farmer produces in a free competitive market, but the prices he pays are either pushed up by industrial monopoly, high tariffs, unfair freight rates, or some other scheme for keeping the price of manufactured goods high. You bet, the farmers would be glad to see the Government get out of the picture if industry would return to competition."

"Shouldn't we be cautious about trying to find a cure-all for the problem?" asks the woman farmer. "Isn't it possible that some business should be big—some even monopolistic? I know I would hate to have two telephone companies or two electric power companies in our community. If they are not functioning right, more governmental regulation would come nearer correcting the evil than would competition."

What Part Does Industry Play in the Farm Problems?

"I admit," comes back the truck farmer, speaking to the objector, "that most phases of the farm program have attacked the problem from one angle—raising the prices which the farmer gets. I think the same end could be reached by lowering the prices we have to pay for the things we buy. If business was really competitive as we farmers are, prices would all tend to rise and fall together, and a great part of our economic problem would be solved. As the situation exists today, though, with industry insisting on keeping prices up, regardless of the social cost . . . Well, maybe that's putting it too strongly. But let's remember that if and when industry can permanently absorb the millions of unemployed, the surplus farm products problem would be in large part solved. If this were done, we would not need half our farm program."

WHAT ABOUT THE EXPORT PROBLEM?

"To get back to the subject," breaks in the woman who has lived in town, "one place to strike at this surplus is in the export trade. Even if the total exports of agricultural products are only about 10 percent of those we produce, exports figure mighty heavily in some crops—particularly

in cotton. And in tobacco, wheat, and dried fruits, they are very important, also. As I understand it, agriculture's export market has been valued at about 800 million dollars a year but the prospects of keeping it aren't very encouraging. There's one place where something should be done to remove part of this surplus. Otherwise a lot of farmers will have to stop planting their usual crop. And if they should stop, there are very few other crops they can plant for which they won't find a glutted market."

Can Reciprocal Trade Agreements Help?

"Of course the reciprocal trade agreements are one way to get around this problem," suggests the young man, watching out of the corner of his eye his truck-farmer friend who minimizes foreign trade. "That way we can get some of the tariff barriers down without arousing too much fight from the high-tariff industrialists."

His friend accepts the challenge: "But, there may be two sides to that question. Progress there is very slow, and besides the success of those agreements is limited by the fact that United States prices for many commodities are above the world prices."

How About Export Subsidies?

"Yes, that's true," the young man replies. "A few years ago it seemed that the Government might be able to help us save a good portion of our foreign markets by subsidizing exports; that is, by paying the difference between the price in this country and the world price. Figures I have here show that during the cotton year 1939-40 the United States spent around 40 million dollars on cotton export subsidies. With this help, we were able to export over 6 million bales. During the fiscal year ending June 30, 1939, we spent 25 million dollars on wheat and helped in exporting 93,000,000 bushels. However in the early days of those programs our foreign customers accumulated surplus supplies of cotton and wheat. Since then export subsidies have not been able to help much."

"Yes, your figures are correct," comes back the truck farmer, "but all the other nations are playing the same game. I'm not giving up the long-time hope of real international trade but I think that until Europe gets straightened out, we had better try to solve the problem at home and consider the little exports which we are able to make as 'manna from heaven.'"

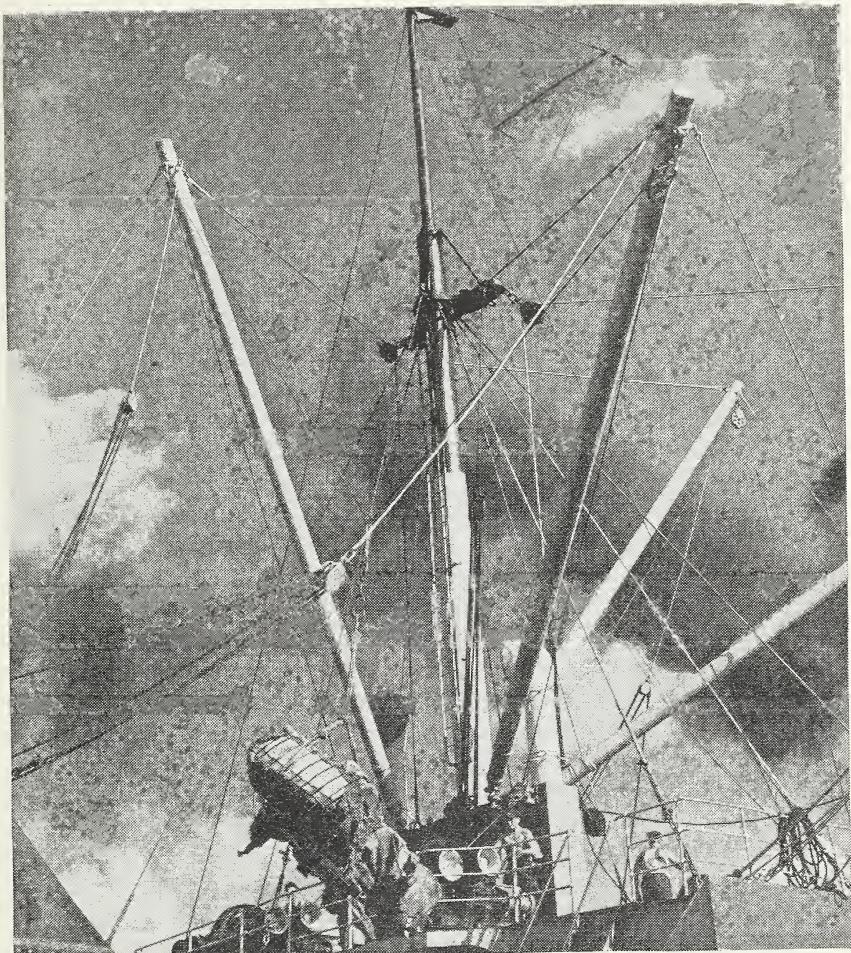
Are Export Subsidies Helping Foreign Consumers at Our Expense?

The lady farmer thinks the conversation is getting off the subject. "Anyway, it seems to me that subsidizing exports is in part helping the consumer abroad who gets those products. Couldn't that money be better expended in this country getting the goods to the needy at a low cost? If the 30 cents a bushel that it cost Uncle Sam to sell that wheat abroad were used to reduce the price of some foods here at home, there's no telling how their consumption might increase."

"Must we choose between one or the other?" the young man asks. "Surpluses in various crops are in varying amounts. If the standard of living at home was raised considerably, some of these surpluses might still be left. Some of our farmers who have been depending on foreign demand will have to make some great changes if export markets are lost. But let's get back to the possible methods of distributing foods at home."

THE TWO-PRICE SYSTEM

"A two-price system is one way of encouraging home consumption," the president of the farm organization suggests. "In 1939 former Secretary Wallace suggested this possibility and I thought it excellent. Those who are able pay the regular price for certain goods; those who aren't able pay a lower price, and the Government, the farmers, and distributors take care of the difference. Maybe the term 'two-price system' isn't a good one, but I refer to the method now being used in some places for the distribution of milk. Boston, Chicago, New Orleans, and Washington, D. C., were the first cities in which it was tried. The price varies with the city sponsoring the program, but the general idea is to get milk out to those on relief and on public works at about five cents a quart. The farmers take cuts from their regular price for fluid milk, distributors make competitive bids for the handling charges, and the municipal relief agency and the United States Department of Agriculture make up the difference. Thus, farmers can sell, at a considerably better price, a good part of their surplus milk which commonly went to wholesalers for cream or manufacturing purposes. The maximum quantity any family may receive generally follows the standards set by the Department of Agricul-



**What Has The International Situation Done to
Exports?**

ture's Bureau of Home Economics for an adequate diet at minimum cost."

The Discussion Leader Sums Up

"Should we take stock here, just a minute?" the discussion leader asks. "We decided that the problem of farm surplus was twofold: (1) getting the food and fiber produced into the hands of those who need it, and (2) seeing that the farmer got a fair return for his work. And furthermore, we seem to be agreed that the two are closely related so that if the surplus is removed, the prices will remain at a fair level. It was suggested at that point, however, that as agriculture is still competitive, it might be industry that needs the great correction. We admitted that tariffs and other forces have cost us most of our foreign markets. To export those products which we produce in greater quantity than needed for a healthy America, we felt that we should exert every effort. The prospects, we admitted, seem very dark.

"An even greater problem, we felt, was one of home consumption which we had mentioned earlier. One person felt that if Government would absolutely leave our economic situation alone, it would soon right itself. Others disagreed with him and suggested as one way of removing the surplus a two-price system such as is now being used to get milk to the underprivileged in several of our larger cities. What do you think of some of the other means of attacking this price-depressing surplus?"

THE DIRECT PURCHASE AND DISTRIBUTION PROGRAM

The woman farmer has a suggestion: "My brother raises grapefruit, and he is sold on the idea of the Government coming into the packing sheds and buying the fruit when the market is glutted. It is only at certain seasons that this is needed, and he says that when the Department of Agriculture buys up the surplus, it certainly helps keep the bottom from dropping out of the price. Before this was started, the price would sometimes get so low during the heaviest part of the shipping season, that some of the farmers just let their crop rot on the ground. The price wouldn't pay for the picking and crating. Sometimes the fact that the Government is bidding on a car of fruit will force the commercial buyer to offer a fair price, and then

the Government does not have to buy at all. That fruit which is bought, as you know, is shipped to State relief agencies to be distributed to needy people. This is generally known as the Direct Purchase and Distribution Program."

"That program sounds interesting," says the man who has opposed governmental aid. "I'd like to have some one tell a little more about it."

How Does It Work?

In spite of his seeming disinterest, the old gentleman shows that he still reads his farm papers: "When the Secretary of Agriculture is asked to buy a certain commodity, an investigation is immediately made. If a surplus is found to exist in that crop, the Department of Agriculture through the Surplus Marketing Administration, which was formerly the Federal Surplus Commodities Corporation, is empowered to start buying. Purchases are made in the chief producing and marketing areas, from the farmers or the processor, or the wholesalers. Under the standard method of operation the Surplus Marketing Administration states its intent to buy a certain quantity of a commodity and then lets sellers bid for the order."

Tomatoes, for Example.

"Will you take a particular example and show us what becomes of these surplus commodities after they are purchased?" asks the discussion leader desiring to make sure that this plan is fully described before the discussion moves to other points. "Yes. Suppose the Surplus Marketing Administration has been authorized to buy 40 car-loads of tomatoes. It has made arrangements with State Welfare Departments by which these supplies can be distributed for free school lunches among needy children, to charitable institutions, and to needy unemployed families certified to be in need and eligible for these products. After the States have applied for supplies, based on their needs, the tomatoes will be bought and shipped to them directly. They are then distributed by the States through W. P. A. labor to city and county warehouses. Here ideally will come in enough different products to allow the distribution to the needy consumers of a basket of food which will constitute a balanced diet while it lasts. However, this ideal has not been realized, for the people

may get mostly tomatoes one week and mostly grapefruit and string beans the next. They are getting other help at the same time, though."

What Does It Cost?

The farmer opposed to Government aid is getting interested. "What did this cost the Government," he asks, "and how much food was distributed?"

The woman farmer who mentioned this plan answers: "From the figures I copied down, I find that during the 12 months ending June 30, 1940, the Surplus Marketing Administration purchased 93,000 cars of surplus commodities or more than 3 billion pounds of foodstuffs, at a cost of about 117 million dollars. This food was used to help feed approximately 11 million needy people plus adding to the lunches of nearly 3 million school children. I figure that each person must have got about 12 pounds of food each month."

Canning the Surplus.

The young man joins in excitedly: "In the case of certain fruits, they have also cooperated with the W. P. A., to a small extent, in canning the fresh surplus fruit so it could be distributed after the fresh supply was exhausted. This seems like an excellent idea, and I see no reason why it shouldn't be expanded."

The president of the farm organization adds, "I was interested to learn that the Surplus Marketing Administration has been able to develop some new uses for products which encouraged their consumption. They did much with dry skim milk, and in 1935 when the Michigan grape crop was caught by an early frost and given up as lost, they discovered that an excellent jelly could be made from the frozen grapes."

"Yes," responds the old gentleman dryly, "they have made progress. I understand that the relief client who wrote in that she had cooked those grapefruit for 6 hours and they were still stringy has recently given up and decided to eat them raw."

Free School Lunches.

"One of the best uses that yet has been made of these surplus foods bought by the Surplus Marketing Administration is in furnishing free school lunches to needy children," breaks in the quiet lady who is a member of the Parent Teachers Association. She has been following



**Several Million Undernourished School Children Are
Now Getting Free Hot Lunches.**

the discussion very closely, but self-consciousness has kept her quiet. Now she is on a subject with which she is at home. "The food is furnished free by the Surplus Marketing Administration. Local groups, such as Parent Teachers Association, business men, Service Clubs, and sometimes the school, assume the responsibility for additional cost, like cooking equipment and additional food needed to supplement that contributed by the Surplus Marketing Administration. In this way, nourishing free hot lunches are supplied at a total average cost to the local groups of about 5 cents a meal. School officials where this program is in effect are almost unanimous in reporting increased attendance, better school work, gains in weight, and greater activity on the playground among those underprivileged children who have been given this nourishment. By March 1941 nearly 5 million children were receiving this added nourishment."

THE STAMP PLAN

Discussion leader: "Is there anyone here who thinks of any other plan for moving surpluses from the farm to the needy consumer that looks as promising as the Direct Purchase and Distribution Program?" "What about the Food Stamp Plan?" says the lady who had previously lived in town. Then noticing the head of the old farmer shaking up and down, she continues: "I recently visited the city where I used to live. The stamp plan operates there, and they are mighty pleased with it."

How Does It Work?

"Will you tell us something about the way it works there?" the leader asks.

"The size of the areas in which the plan operates varies considerably," she replies: "in some places only a city is included, in others, one or more rural counties; but in most cases, it includes a city and the surrounding county or counties. From a careful study of low-income families, it was found they spent an average of 5 cents a meal or 15 cents a day for food for each person in the family. The Surplus Marketing Administration—as someone said, it was the Federal Surplus Commodities Corporation until changed under the President's reorganization plan—administers the stamp plan along with the Direct Purchase and Distribution Program. The Surplus Marketing Ad-

ministration has worked out a scheme which makes pretty sure that these people will not reduce their customary expenditures for food. If they don't reduce their usual expenditures, any food they get through Government help will add to their meager diet, thus improving their health, while at the same time removing that much of the farmers' surplus."

Who Takes Part?

"Am I right in understanding that those eligible to take part include all those getting public aid, those on W. P. A., and those certified for W. P. A. but not yet assigned work?" the young man asks.

"Yes, in other words, all those on relief—local, State, or Federal and those on W. P. A., the same as under the direct distribution program."

"How about low-income farmers and part-time factory workers; could they get on?" the quiet woman asks.

"No, not in most places where the plan is operating, unless they were also getting some form of relief."

"Well, it seems to me," responds the young man, "that we are setting up a preferred class of relievers who are getting all the favors. I hope that as soon as funds are available the stamp plan will be made available to all needy consumers."

"Persons taking part," the woman who has lived in town continues with her explanation, "are required to buy a dollar's worth of orange-colored stamps each week for each member of the family. That's about the equivalent of 5 cents a meal. These orange stamps are good for any food in the grocery store—but only for food. That's the way they make sure the person continues to spend his usual amount out of his pocket. But for every dollar's worth of orange stamps he buys he is given, free, 50 cents worth of blue stamps. These are good for any products on the surplus commodity list issued by the Secretary of Agriculture and posted in grocery stores. Although \$1 worth of orange stamps must be bought each week by each person participating, they can buy up to \$1.50 worth each. They have averaged \$1.27 which means that the average person gets 64 cents worth of free blue stamps."

What Crops Are on the Surplus List?

"Can some one tell us how various crops get on this list?" interrupts the chairman, wishing the description of

the plan continued but fearing that the person speaking is talking too long.

"Yes," replies the president of the farm organization. "I recently talked to the man in charge in one of the cities in our State. In putting a crop on the list, the Secretary of Agriculture considers primarily two things: (1) the damage that will be done to the farmers by the surplus, and (2) the dietary needs of the people who get the food. When a food item gets on the list, it remains there as long as there are supplies which the farmers need to sell; then it is taken off. Sometimes this is only a few weeks, sometimes much longer."

"What are some of the products that have been on the list?" the old gentleman asks him.

"Let's see," he replies thoughtfully. "Among others, the list has included butter, eggs, corn meal, dried prunes, dry beans, wheat flour, rice, cabbage, fresh peaches, fresh tomatoes, fresh green peas, onions, fresh pears, raisins, pork, pork lard, prunes, hominy grits, oranges, grapefruit, and apples. The fact that about three-quarters of the blue stamps are being used for butter, eggs, pork, fruits, and vegetables shows how the plan improves the diets of the participants."

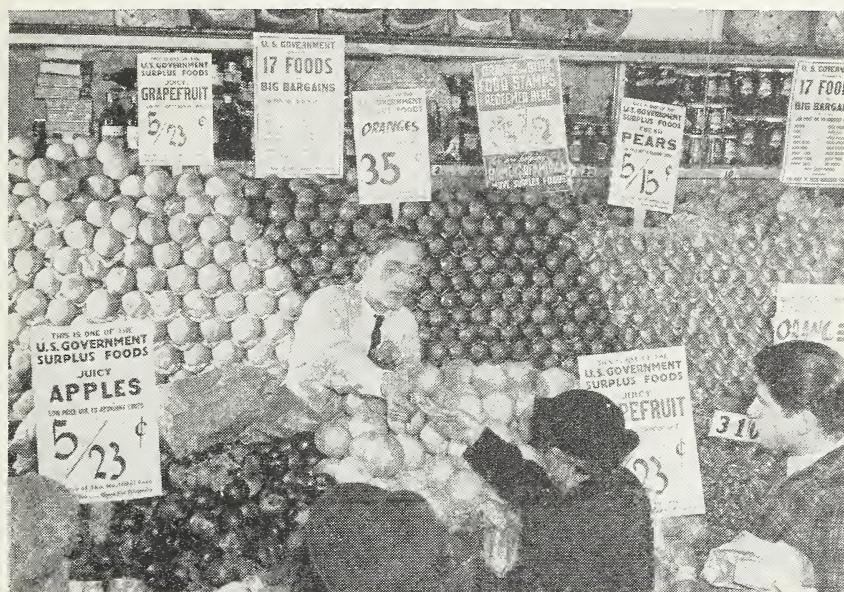
Why Have Two Different Kinds of Stamps?

"One thing I still don't understand," the skeptical farmer opposed to governmental aid, trying to hide his interest, remarks, "is why they have to have two kinds of these food stamps."

"It's quite simple once you get the picture," the farmer who raises truck crops replies. "I was reading, a few days ago, a folder on the plan put out by the Department of Agriculture and it explained it this way: The orange food stamps you buy under the plan are good for any foods whether surplus or not and cover the amount you would ordinarily spend for food. The blue stamps that you receive free in addition to the orange stamps are good only for the foods listed as surplus, such as my farm organization friend spoke about. The requirements that the orange stamps be bought insures that regular food purchases are maintained so that the food received free with the blue stamps will be in addition to, and not in place of, these regular purchases."

"If it wasn't for the orange stamps," the young man adds, "those who participate in the plan might merely use

How Much Can the Food Stamp Plan Accomplish?



the blue stamps to buy their usual amount of food and we farmers would derive no help. For example, suppose I am participating in the stamp plan. Ordinarily my wife would have spent for supper tonight about 30 cents for our whole family of five. We would have had mashed potatoes (5 cents), boiled cabbage (5 cents), fried hamburger (17 cents), and half a loaf of bread (3 cents). She still has to spend that 30 cents; and she pays for the potatoes, hamburger, etc., in orange stamps. But when shopping, she sees on the surplus list, among other things, butter and fresh tomatoes. So with the 15¢ worth of free blue stamps which we were given she adds to the menu sliced tomatoes, and butter. My family is healthier for having the better diet, and the farmer has a better market for his butter and tomatoes. The stamps are used at the grocery store just as if they were money. The grocer turns in both orange and blue stamps to the Federal government and receives cash—dollar for dollar."

Do Grocers Have to Take Part?

"Do grocers have to take the stamps?" the old gentleman asks.

"No," the woman from town joins in again, "they can take them or leave them, but in cities where the plan is in

operation the grocerymen have been almost unanimous in their approval, for it means just that much addition to their volume of business."

"As figures seem to be in order, here are some I jotted down," adds the woman farmer. "On May 16, 1941, the second anniversary of the stamp plan had been extended to 385 areas with more than 4 million consumers participating. From 65 to 85 percent of those who were eligible were taking advantage of the offer, depending on how long the plan had been in operation. The value of the blue stamps issued in May 1941 was nearly 10 million dollars. This, plus a small amount for administrative expenses, is what it cost the Government. In areas where the plan is operating, the value of the blue stamps amounts to about 4 or 5 percent of the total food sales, and in the low-income districts of those areas from 10 to 20 percent. To have expanded the plan nationally, making it available for all those who were eligible for public aid in the summer of 1941, would have cost us about \$250,000,000 a year."

THE COTTON PROBLEM

"This stamp plan principle has some other uses, too," the young man breaks in. "Cotton is the Nation's number one surplus problem. We have practically enough cotton on hand to take care of the demand if no cotton were planted for an entire year.

Using the Stamp Plan on the Cotton Surplus.

"That's why," he continues, "I think the experiment now being made with the Cotton Stamp Plan is so important. Already it's in operation in several cities. The principle is the same; green stamps are used instead of orange for the normal purchase and brown has been substituted for blue for the free stamps. One difference is that for a dollar's worth of stamps purchased you get a dollar's worth free, as contrasted to the one dollar's worth bought to 50 cents free under the Food Stamp Plan. The stamps are used to buy goods manufactured out of cotton like towels, sheets, shirts, and cotton dresses."

"And since January, 1941, this idea has been further used to decrease the amount of cotton we farmers raise," the woman farmer comes in. "Each farmer who will consent to reduce his normal crop one-half bale will be paid 10 cents a pound for that half bale which he doesn't

plant. For example suppose a farmer normally plants, under the A. A. A. program, 10 acres of cotton and his average yield is 250 pounds, or one-half bale, of lint cotton an acre. If he will plant one acre less he will be paid \$25 in cotton stamps. There are some other provisions but that's the general idea. These cotton stamps are just like the others which the young man described and can be used in the local stores to buy cotton goods. Twenty-five million dollars were provided for this program the first year and it, together with changes in the AAA regulations, was expected to reduce cotton production around a million bales. But the most interesting feature of this program is that each dollar spent by the Government works two ways: It reduces the amount of cotton planted and at the same time increases the consumption of cotton already on hand."

The president of the farm organization rests his chin in his hand as he thinks. "Combining this Cotton Stamp Plan with acreage reduction seems sound but I'm not at all sure of its value as the young man describes it. A Nation-wide Cotton Stamp Plan may be successful in making our people 'cotton conscious' but as a surplus removal program it's too expensive. In every \$1 worth of cotton merchandise you buy there is on an average about 15 cents worth of cotton. That makes it awfully expensive from the farmer's standpoint."

"That may be true," comes back the young man, "but you must remember that we face the possibility of permanently losing all our foreign cotton market as an outcome of the international situation. We are experimenting now with the Cotton Stamp Plan so we can have some outlet for our cotton should that situation occur."

The Cotton Mattress Project.

"Considerable immediate hope, I think, for domestic consumption of cotton," responds the president of the farm organization, "can be placed in the Cotton Mattress Project. During the first year of this program, which began in March 1940, 400,000 bales of cotton were bought for mattresses for underprivileged farm folk. It seemed a shame that many farmers including those who produced the cotton surplus should not have decent mattresses to sleep on. So the Surplus Marketing Administration gave cotton and ticking for mattresses to farm families who had a gross income under \$400. The Agricultural

Adjustment Administration handled the distribution. The Agricultural Extension Service of the various States did the big job of supervising projects and teaching the people the way to make mattresses. But the actual work on the mattresses was done by the farm families. So if their mattress doesn't feel like a 'bed of roses', it's their own fault. These 400,000 bales of cotton made approximately 10 mattresses per bale. Putting a bale of cotton to use in this manner, cost the Government about \$65. But even though this program is expanded, there is a limit to the number of mattresses the country needs."

DO STAMP PLAN AND DIRECT PURCHASE AND DISTRIBUTION PROGRAMS SERVE THE SAME PURPOSE?

"What I would like to know," says the man who opposes government programs to meet the surplus problem, "is this: If the government is going to attack this problem, which plan helps the farmer most, dollar for dollar of government expenditure? Is it the Direct Purchase and Distribution Program, or is it the stamp plan?"

Discussion leader: "I am glad you brought up that question. Certainly it is a vital one. But may we pause first to make certain where we are?

"We have discussed the various factors that cause the surplus problem—low purchasing power among needy people, loss of foreign trade, and lots of other things. We have also heard something of the different programs that have been developed to meet the general problem—direct purchase of surpluses for distribution to undernourished school children and to other needy people, the Food Stamp Plan, the Cotton Mattress Programs and the Cotton Stamp Plan, low-priced milk, and export subsidies. I think we can say that all these plans are intended primarily to help farmers by moving surpluses that depress their markets. And the total cost, if the job is to be done, will depend pretty much on how big the job is.

"Now specifically we have been asked about the relative cost of moving surpluses through the direct purchase and the stamp plan programs. Let's review briefly how these two work.

"Under the Direct Purchase and Distribution Plan the Surplus Marketing Administration goes directly into the chief producing centers of a crop in which there is a sur-

plus. Where possible, it buys enough of the product to relieve the pressure on the market. The surpluses thus acquired are shipped to State relief headquarters, and then distributed by State and local relief agencies to needy people. An increasing, though still relatively small, part of it is used to make possible hot lunches for underprivileged school children throughout the country.

"The stamp plan, on the other hand, utilizes the existing business channels for the distribution of surpluses to needy families. Government agencies do not buy or handle any of the commodities. Making sure, through the orange stamp provision, that participants continue to spend the usual amount of their income for food, the plan provides buying power, in the form of the free blue stamps, which makes it possible for them also to buy designated surplus foods from their local grocer. The Government, of course, foots the bill for these free surplus stamps.

"Now we have the question: When the Government spends a dollar through each of these plans, which dollar helps the farmer the most? And for our consideration, may I add another: Should the Department of Agriculture decide on one program and lay the other aside entirely, or is it possible that the strong points of one make it advisable in some situations, even though the strong points of the other may make it fit best for most conditions?"

Both Plans Are Supposed to Raise the Price of the Entire Crop.

Young man: "I think your second question is more important than the first. Here are things we have to consider. The high income groups will eat about the same amount of food regardless of the price. Whether eggs are 20 or 30 cents a dozen will have little effect on whether they eat one or two eggs for breakfast. But if we raise the income of the underprivileged group—which is what we are really doing under the stamp plan—they will consume more food. That increases the demand for the available food supplies, and the price of the entire crop goes up. So the stamp plan not only attempts to assure the sale of all the farmers' eggs, but also to raise the normal price at which they are sold. So our income can increase both ways.

"Now under a direct purchase and distribution program we would get about the same effect, provided that when those eggs that were bought by the Government were

consumed they were not simply substituted for other eggs that would ordinarily have been bought by the relief client who consumed them. But that substitution is very, very hard to prevent under the present direct distribution set-up. For that reason it seems best to use the stamp plan for general surplus removal."

Quicker Action Possible Under Direct Purchase and Distribution.

"That may be," breaks in the woman farmer, "but we musn't forget that the purchase and distribution program makes it possible for the Government to take immediate action to relieve the pressure of a price-depressing surplus. Suppose, for instance, tomato prices start plunging down. A lot of tomatoes might rot in the field before the added buying power of the stamp plan could help prices. Direct purchases, right away, would be needed."

"That's the point I was coming to," the young man replies, "and I think it explains why we need both programs. For a lot of crops where we need steady consumer buying power, the stamp plan seems to be the best bet. In some cases, though, particularly for perishables, immediate direct purchases are needed."

"And besides," the member of the Parent-Teachers Association adds, "without the purchase and distribution program, several million school children could not get surpluses for the free school lunches."

Is the Purchase and Distribution Plan Cheaper?

"I still think the question of cost, which has not been answered, is important," breaks in the truck farmer. "We have only a limited amount of money to spend on this problem. Then isn't the job to spend it in such a way that the farmer's income is raised the maximum amount?" All the group nod assent. "It will surely cost the Government less money to purchase surplus products directly from the farmer or processor and distribute them directly to consumers, by using relief labor, than to provide the means of buying in the retail store, as is done under the stamp plan. These relief workers are going to have to be paid anyway. It seems to me that the difference in cost is sure to be just about equal to the charges ordinarily made for wholesaling and retailing the commodities."

"Just how much is the difference?" asks the farmer who is opposed to government aid.

"It's pretty hard to give a definite answer," the truck farmer continues, "because it will vary greatly for different food products. For some foods the combined retail and wholesale margin may be as little as 10 percent of the retail price, and for others it may be as much as 35 or 40 percent. The Department of Agriculture published in the fall of 1940 a report called Economic Analysis of the Food Stamp Plan. This report points out the difficulty of comparing costs between the two types of programs, because the stamp plan offers more complete services. The report also emphasizes other factors that must be considered in getting at the total effect of the programs on farm income. It reaches the general conclusion, however, that the direct commodity costs to the Department of Agriculture for commodities on the surplus list was one-third less on the average for the direct purchase program not including relief labor and other local costs involved in direct distribution."

"Isn't that conclusive evidence in favor of the purchase and distribution method?" asks the previous questioner.

"A Maximum Increase in the Farmer's Income."

"It might appear so at first glance," the young man replies. "But this unit-cost figure isn't the whole story. Remember our first statement that our objective is a maximum increase in the farmer's income? Well, as I said before, it's hard to keep the relief client from substituting the food he gets under the direct-distribution program for that which he would buy if there were no program. If he does substitute, there is no increase in the total amount of food consumed, and the farmer doesn't get much help. The stamp plan guards against this. That same report referred to a minute ago concludes that the substitution factor is taken care of pretty well by the orange-colored stamps. We have to take this into account in figuring which dollar helps the farmer most. Then, too, the mere fact that the Government may buy sometimes strengthens the market price.

"There's also another point. I've been in some grocery stores that were taking part in the stamp plan and they had up big posters calling attention to the low prices of the foods on the surplus list. This should help sell these foods to all customers. However, other grocerymen have done little of this. If grocers like the stamp plan they should be willing to really push surplus foods. If the plan

could make the grocer a better salesman for the farmer, that certainly would have an effect on farm income."

Truck farmer: "Why couldn't a plan be tried which would require those who get free food under the purchase and distribution program to buy these orange-colored stamps, just as they do now under the stamp plan? This would stop the substitution of free food for normal purchases, and still keep the savings of the direct-distribution program."

"Well, here's something I've been thinking about," adds the quiet lady. "If we are going to let the wholesaler and the retail grocer make profits on surplus distribution as we do under the stamp plan—which I think is a good thing—why shouldn't they be willing to have the Government redeem the free blue stamps at a slight reduction—say at 90 or 95 percent of their face value?"

Stamp Plan Utilizes Regular Trade Channels.

The woman who had lived in town had been waiting for a chance to speak. "Let's not forget that the stamp plan gives the consumer an opportunity to eat what he wants, or somewhere near that, rather than have some foods handed out to him which he may not like. Those who are on the receiving end are almost unanimous in the preference for the stamp plan."

"I think it's very important that the foods move through regular trade channels under the stamp plan, giving the wholesaler and the retailer a profit," offers the farmer who has been opposed to Government aid, showing that he has caught the give-and-take spirit of the discussion. "This means greater encouragement to business prosperity all up and down the line. It means that this business group will favor helping the farmer, because it also helps them."

Stamp Plan Draws Together City and Farm Problems.

"I'm glad that point was brought up," says the president of the farm organization. "We cannot put too much stress on the fact that the stamp plan ties up the farmer's interest with all those who handle and consume his products. Low farm income is a problem affecting our entire economy. According to independent polls, the stamp plan is favored by a flattering majority of the people of the Nation. It has caught the public's imagination. And I think for that reason its value is greatly enhanced."

Young man: "One very important point that we have left out is . . ."

Discussion leader: "I'm sorry, sir, I see that there are several more who want to add something to our discussion. But we have about reached the time set for adjournment, and I think one virtue of our group is that we stop promptly while there is still a lot we want to say. It is almost a guarantee that we will continue thinking and reading about the problem we have been discussing."

"When we began by asking ourselves how this distribution of surplus produce affects the farmer, we merely raised the question of foreign sales and then turned to home-consumption aspects. The system of two prices that is now being used experimentally for milk distribution to the needy—with the Government, the farmer, and the distributor contributing to the lower price—was suggested, and we agreed that it deserved further study. By no means discrediting that idea, but turning our attention to plans now in wider use, we discussed the Direct Purchase and Distribution Program, the Food Stamp Plan, the Cotton Stamp Plan, and the Cotton Mattress Program, all of which are administered by the Department of Agriculture.

"We have not reached any hard and fast conclusion as to which of these plans is best, as to whether the Cotton Stamp Plan should be continued, or whether still other nonfood crops should be included under either or both plans. It is possible that there is no 'best plan,' but rather that all these and more will be needed before we can solve the problem. On the other hand, we really have not decided whether government should attempt to do anything about the surplus farm products. As our friend here, who thinks it should not, has said, maybe we should rely on the economic system to correct this surplus problem without aid or, as he would say, 'interference' from the Government. Certainly any of these programs will cost money.

WE MUST MAKE OUR OWN DECISIONS

"When we came into this room tonight, most of us had some set opinions on the subject to be discussed. Through the give and take of ideas and information, many of those opinions have doubtless been changed; of others we are not so sure as we were. Certainly we are all in a better position to make our individual decisions, and we have a lot more questions for thought and for further reading."

What important point does the young man think the group left out? Does the problem of surplus farm products affect you? What are the effects of the foreign situation on this problem? What arguments for the various solutions offered would you have added? How does city buying power affect your standard of living?

What do you think of the discussion procedure these people used? Did the discussion leader talk too much? Too little? Was the meeting democratic? Did having the chairs in a circle help?

Can group discussion be used in improving the program of your farm organization? Your club? Your church?

If you do not have a discussion group in your community, would you like to have one? What effect can group discussion have in shaping your own opinion? Community and county programs? National policy?

